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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

17 January 1985

MEMORANDUM FOR: Roger Robinson
National Security Council

FROM:
Assistant NIO for Economics

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SUBJECT: Possible Event-Driven SIG-IEP Topics
Over the Next Six Months

1. Aside from topics already on the SIG-IEP agenda, I can think of two possible event-driven issues that could come before the group over the next six months. Should a substantial decline in oil prices take place (or begin), it would necessitate a reevaluation of our priorities on foreign aid at a time when Central America and, perhaps, Israel are also being targeted or asking for major increases. A decline of oil prices to, say, \$20 per barrel would cost Egypt about \$1 billion per year. It would also push Egypt closer to long needed, but politically risky economic reforms. Looking at the Middle East countries, Iraq would be the hardest hit of the Gulf oil producers--\$20 per barrel oil could cost Iraq \$3 billion a year in earnings. Both Egypt and Iraq lack an ability to increase output sharply in the near term. Saudi Arabia also is ill-prepared to deal with further economic reversals. Indeed, a steep oil price decline probably would have been spurred by higher Saudi Arabian oil production as Riyadh seeks to boost revenues. The Saudis probably would cut aid flows further, including support to US friends. Israel would save about \$400 million a year if oil prices fall to \$20 per barrel, but this would only make a small dent in its civilian goods and services deficit that last year reached \$3.6 billion.

2. As background for the oil/aid issue, I will send you copies of back IEEW articles on OPEC and Mexico which give some parameters to the problem.

3. While LDC debt issues are well covered in the SIG-IEP, you might want to consider a subgroup to monitor progress on economic reform in the debtor countries. With adequate monitoring, problems such as a slippage in currency devaluations, or a reversal of progress on trade

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could be spotted early on. Such information would be helpful in guiding the SIG [REDACTED]

[REDACTED] I have attached a memorandum outlining my thoughts of future work at CIA on the issue that gives a possible structure to such a monitoring operation.

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Attachments:

As stated

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